

CITY OF KENT
King County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. Internal Controls At The Riverbend Golf Complex Should Be Strengthened

Effective June 1, 1993, the city contracted with an independent contractor to provide professional management and operation of the Riverbend clubhouse facilities, cafe, golf courses, pro shop, practice range, and mini-putt. Under the terms of the agreement, the contractor receives a fixed management fee and percentage of the revenues generated at the Riverbend Golf Complex.

During our audit of the Riverbend Golf Complex, we noted the following weaknesses in the internal control structure:

- a. Our review of golf treasurer's receipts and work performed by appropriate city personnel disclosed numerous instances where revenues per deposit were short or over to receipts.

The shortages noted during our review included \$293 of moneys receipted at the practice range on September 18, 1994. We determined that \$250 of this amount comprised a theft of a change fund.

- b. The contractor maintained golf tournament records documenting allocation of registration fees between specific Golf Complex revenues (e.g. green fees). The city accounted for these registrations as deferred revenue in the general ledger system pending allocation to specific revenue accounts.

We determined that reconciliations between the registrations, cash receipting records and the deferred revenue account were not performed in a timely manner.

- c. Golf instructors, who also performed cash receipting functions, maintained receipts for payroll documentation purposes. These receipts were not official-prenumbered forms.

These conditions impaired the city's ability to prevent or detect errors or irregularities in a timely manner as follows:

On March 30, 1995, we were informed by city personnel of a misappropriation of public funds perpetrated by two contractor employees at the Riverbend Golf Complex.

On March 29, 1995, the contractor conducted an investigation of one of its golf instructors. A customer working undercover gave this employee a \$50 bill for a golf lesson. This payment included a \$20 tip. The employee provided the golf lesson; however, the employee did not remit the moneys for deposit. On March 30, 1995, this employee

confessed to the theft of these moneys and his employment was terminated immediately.

In March 1995 contractor personnel were unable to find any record of payment for a customer requesting the first of a series of prepaid golf lessons. The contractor subsequently determined that the customer's check in the amount of \$100 was made payable to a golf instructor rather than to the city. This check was not remitted to the contractor for deposit. In another instance involving this employee, contractor personnel determined that he had given a friend an unauthorized discount in the amount of \$28 towards the purchase of a golf putter. The customer subsequently returned the putter for the purchase price. The contractor terminated this employee's employment on March 12, 1995.

Further, as previously discussed, a bank bag contained a \$250 change fund was stolen. The contractor immediately conducted a full investigation of this incident; however, the results of the investigation were not communicated to appropriate city personnel in a timely manner. Responsibility for this loss could not be fixed to any single individual.

The contractor discovered that moneys receipted on November 22, 1994, in the amount of \$140 contained in a cash drop envelope assigned to an employee working at the practice range was missing. The employee contended that he had locked the cash drop envelope in the practice range safe; however, appropriate contractor personnel only found the daily cash report signed by this employee.

Appropriate city personnel have performed extensive internal audit and monitoring functions over golf course operations since the inception of the agreement with the contractor. The City was aware of these internal control weaknesses and communicated them to the contractor in a timely manner; however, these issues were not substantially addressed by the contractor until September 1994. The contractor has since reimbursed the city for all losses noted above.

We recommend that city officials continue to monitor golf course operations to ensure corrective policies and procedures are maintained.

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King County, Washington
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Schedule Of Federal Findings

1. Federal Funds Should Be Expended Only After The Authorized Start Date Of The Grant

On October 30, 1992, the city executed an agreement with a consultant providing for the payment of an amount not to exceed \$100,000 to perform services necessary to forecast demand, identify transportation system deficiencies, and assist the city in complying with requirements of the Washington Growth Management Act.

These services included a \$28,656 parking study funded in part with Federal Highway Administration (FHWA) moneys under the Intermodal Surface Transportation Act (ISTEA) Project No. M-9999 (131).

Title 23, Subpart A, Section 630.114, of the *Code of Federal Regulations* states in part:

(g) Federal funds shall not participate in costs incurred prior to the date of authorization to proceed.

The city administered its ISTEA projects as a subrecipient to the Washington State Department of Transportation (WSDOT). The city received FHWA fund authorization from WSDOT effective March 5, 1993.

The city incurred the entire project costs of \$28,656 under the ISTEA Parking Policy Review project from January 30, 1993 through February 26, 1993. In June 1994 the city received reimbursement comprised of the maximum federal share from WSDOT resulting in questioned costs of \$19,568.

Appropriate city personnel were unaware that the Parking Policy Review project was funded with federal ISTEA moneys. At WSDOT's request, the city refunded these questioned costs in April 1995.

We recommend city officials develop policies and procedures designed to ensure that projects funded with federal moneys are identified in a timely manner.

We further recommend that the city refrain from incurring expenditures under federal programs prior to the authorized start date of the grant.